

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

JUL 13 1982

Dear Sir or Madam:

Your application for exemption from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code has been given consideration.

The information submitted discloses that you were incorporated under the nonprofit laws of the State of [REDACTED]. You filed for authority to operate in [REDACTED] on [REDACTED].

Your purpose, briefly stated, is to teach, preach, and to spread the gospel of the Lord Jesus Christ.

Your activities have included a religious broadcast, preaching the gospel on the streets or other thoroughfare, preparing tapes of religious messages and holding worship services in your home.

Your organization is made up of your founder, [REDACTED], and his daughter, [REDACTED], who are the officers and board members of your church and its only members. There are no provisions for membership in your by-laws other than the board members.

All of your income thus far has consisted of contributions by your founder. Your expenditures have included the payment of utility bills, house insurance and real estate taxes on the home, shared by the board members, auto expenses of the board members (including insurance, license, gasoline, oil, tires, repairs), personal property tax of the founder, and the cost of radio broadcasts.

Copies of resolutions passed by the Board of Directors are enclosed as exhibits. These resolutions provide that the corporation will pay all of the personal living expenses of the board members including food, clothing, shelter, utilities, automobile expenses, and tuition for a course for the secretary.

You have indicated that your founder's home is the home of your two board members, and is used for the activities of the church. The home is a four bedroom house and has floor space of 1,248 square feet. You indicated that only the office space is considered to be rented, an area of approximately

[REDACTED]

6-29-82

[REDACTED]

6-30-82

[REDACTED]

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[REDACTED]

30 square feet. According to a resolution passed by the Board Members, the church is to issue a "tax deductible receipt" for the rental value of the office space set at \$[REDACTED] per year.

One of your resolutions indicates that no salary is given to the minister and implies that the benefits received by the minister and his daughter are in lieu of compensation for services. You have not indicated the number of hours that the Board Members spend on church activities or submitted substantiation that the compensation is commensurate with the services rendered. In addition, to the extent such benefits might be compensation for services, the fair market value of such benefits must be included in the taxable income of the Board Members on their respective Forms 1040.

According to your board resolution and your expenditures, you have paid all the automobile expenses of the Board members. The information submitted did not indicate any activity that would require the use of an automobile except the trip to [REDACTED].

You indicated that about four people attend the worship services held in the living room of the Board Members' home; however, you were unable to furnish the names of any of those persons who have attended your services.

According to authorities of the City of [REDACTED], a Special Use Permit has not been issued to operate a church at [REDACTED].

Section 501(a) of the Internal Revenue Code of 1954 provides for the exemption of certain organizations described in subsection 501(c).

"(c) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation (except as otherwise provided in

subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office."

Section 1.501(c)(3)-1 of the Income Tax Regulations requires that the organizational purposes and powers may not, under any circumstances, be broader than those described in Section 501(c)(3) of the Code, and that an organization must meet both the organizational and the operational tests in order to qualify for an exempt status. An organization is not operated exclusively for an exempt purpose if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Moreover, an organization is not organized or operated exclusively for one or more exempt purposes specified in Section 501(c)(3) unless it serves a public rather than a private interest. To meet this requirement, it is necessary for an organization to establish clearly that it is not organized or operated for the benefit of any private interests.

Based upon the evidence submitted, we have determined that your income and assets are used primarily to meet the personal expenses of the Board members. Payment of the personal expenses of the Board Members constitutes inurement of income, prohibited under the statute.

We have concluded that you do not qualify for exemption from Federal income tax as an organization described in Section 501(c)(3) of the Code, inasmuch as you are organized and operated for a private benefit as opposed to a public benefit.

If you do not agree with these conclusions, you may, within 30 days from the date of this proposed adverse determination letter, appeal to the Regional Office through this Key District Office. Your appeal should contain the information described under Regional Office Appeal in the enclosed Publication 892, and should be mailed to this office. The Regional Office will let you know what action they take, and will set a date and place for any conference to be held. If a written protest is not received within the above time period this determination letter will be final.

Section 7428(b)(2) of the Internal Revenue Code provides, in part, that:

"A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

[REDACTED]

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies.

This is a determination letter.

Sincerely yours,

Signed [REDACTED]

[REDACTED]  
District Director

Enclosures  
Exhibits  
Publication 892